UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Fair Isaac Corporation, a Delaware Corporation, Plaintiff, v. Federal Insurance Company, an Indiana corporation, and ACE American Insurance Company, a Pennsylvania Corporation, Defendants.	File No. 16-cv-1054(DTS) Courtroom 14W Minneapolis, Minnesota Friday, February 3, 2023 3:00 p.m.

BEFORE THE HONORABLE DAVID T. SCHULTZ
UNITED STATES DISTRICT COURT MAGISTRATE JUDGE

(FINAL PRETRIAL CONFERENCE)

Proceedings recorded by mechanical stenography; transcript produced by computer.

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P R O C E E D I N G S

IN OPEN COURT

THE COURT: We're on the record in the matter of Fair Isaac Corporation versus Federal, et al., Civil Number 16-1054.

Counsel for FICO, if you will note all of your appearances, please.

MR. HINDERAKER: Your Honor, Allen Hinderaker from Merchant & Gould. And with me from Merchant & Gould is Heather Kliebenstein, Paige Stradley, Michael Erbele and Joe Dubis. And at the end of the table I'm at, Jim Woodward, Vice President/Deputy General Counsel of FICO.

THE COURT: All right. Good afternoon to all of you.

Counsel for the defendants, if you will note your appearances, please.

MR. FLEMING: Good afternoon, Your Honor. Leah Godesky, Anton Metlitsky and Roxana Guidero of the O'Melveny firm. And along with me from the Fredrikson law firm, Leah Janus and Ryan Young. And I'm Terry Fleming.

THE COURT: All right. Good afternoon to all of you.

So I'll give you a general idea of what I had planned for the afternoon. First of all, thanks for accommodating my change in the schedule. It became apparent

to me that we needed more than an hour for this. So I had to move it to this afternoon. I'm planning that we'll be done by 5:00, but some of that's in your hands.

My plan for this is to spend the next hour dealing with the motions in limine, if it takes that long. I don't know that it necessarily has to, but I'll give you each, you know, that half an hour to make your case about each and every one of the motions that you want to.

I will tell you I will rule on them from the bench. We'll follow that up with a brief written order on the motions. I have largely made up my mind about them, but that doesn't mean my mind is closed. So if you persuade me otherwise, we'll certainly take it under advisement and rule at a later date, but my hope is to get that all done here.

Second, I've got a whole list of things about how we deal with the trial, the process and procedures and some things that I want of all of you, and we'll go through that. And, of course, anything that you want to raise that I don't, by all means, we'll deal with that as well. Okay?

All right. Why don't we -- I'm still waiting for the other stuff that I want, but we can go ahead with the motions while we're waiting. Why don't we start --

Mr. Hinderaker, we'll take them in order, 1 through 6, as you see fit or whoever is arguing them.

MR. HINDERAKER: Okay. But you would like them in

that order?

THE COURT: I would, actually.

Go ahead, Mr. Dubis.

MR. DUBIS: Thank you, Your Honor. I'll be brief with this one.

So Brooks Hilliard is a retained expert who will rebut the opinions of defendants' experts Kursh and McCarter. Now, defendants want to cross-examine Mr. Hilliard regarding a fee dispute with another client where that client filed counterclaims of fraud. Allowing such questioning will result in a collateral sideshow at the end of this trial. Again, Mr. Hilliard is a rebuttal expert that will go after -- yes, Your Honor.

THE COURT: Okay. Yeah, that clarifies a question or a problem that I had, which was I didn't see him on the witness list. Your plan is he'll be called in the rebuttal case; is that right?

MR. DUBIS: That is correct, Your Honor.

THE COURT: Okay. All right. Keep going.

MR. DUBIS: And so it will result in a collateral sideshow right at the end of this already long trial. And testing these untested allegations will result in a mini trial, which will be confusing, prejudicial and a great waste of time and should be blocked under Rule 403.

Two points I want to make quickly from defendants'

briefing. First, they say that the court has already rejected FICO's relevance objection. That's not true. In the court's order, it was very explicit that admissibility at trial is not the standard for discovery.

And then, lastly, defendants make the point that, you know, this won't be a huge waste of time. While they may be able to ask their questions quickly, FICO's job to then rebut it and rehabilitate Mr. Hilliard will take sufficient amount of time and create quite a sideshow.

So if Your Honor has any questions, I'm happy to --

THE COURT: No, I don't have any questions about this one. So why don't we go ahead and let them argue what they want to and we'll go from there.

MR. FLEMING: Good afternoon, Your Honor.

THE COURT: Good afternoon, Mr. Fleming.

MR. FLEMING: Terry Fleming on behalf of the defendants.

Brooks Hilliard will testify in rebuttal, and he will rely on his experience with business technology applications and will testify about the customs and practice of the commercial software industry and whether Blaze contributed to Federal's revenues.

Now, we intend to attack Mr. Hilliard's credibility. We're not attacking his qualifications as an

expert, but, rather, his truth-telling capability. It's fairly straightforward.

He was involved in a lawsuit that he initially refused to talk about until this court ordered him to. And he brought a lawsuit relating to a prior expert witness matter, because they didn't pay his fees; and they brought a counterclaim, and that counterclaim alleged fraud. It alleged fraud with regard to his capabilities as an expert. It alleged fraud with regard to over-billing. These are very serious allegations. And is it prejudicial? Of course, it is. Is it unfairly prejudicial? No. No, it's not unfairly prejudicial. These are very unusual circumstances. And the jury ought to be able to hear that the witness who is opining on these software capabilities is somebody who a prior client has said that he misrepresented his capabilities in that regard and, further, that he committed fraud in submitting bills for time that he did not actually spend.

We've referenced a couple cases that courts have said, well, the fact that they're mere allegations and haven't been proven yet are not a barrier to inquiring about this. Will there be a mini trial on this? Will it be wasteful of time? Will the jury be confused? No. The jury will understand that they're allegations.

We're not planning on spending half an hour on it,

but we are going to -- we anticipate asking him questions about his prior stint as an expert witness. These are serious allegations that were made, and it goes directly to his credibility.

I will stop there, Your Honor.

THE COURT: Okay. Go ahead and be seated.

Let me ask, counsel, Do you want me to tell you as we go through the motions my rulings or do you want to wait? Do you want to hear them now?

MR. HINDERAKER: We can hear them now, Your Honor.

THE COURT: All right. This motion I'm going to grant in part and deny in part for the following reasons:

The specific information I think is proper for the limited purpose that Mr. Fleming has identified, that is, only to the extent to test the witness's credibility and truthfulness. So I do find it's admissible under 608. But -- and I don't think it will be unfairly prejudicial, lead to a sideshow, confuse the jury or be irrelevant. And the cases, frankly, cited by both parties aren't terribly factually, you know, on point, which is not terribly surprising, but they don't, they don't really give me much.

There are going to be some limits on this. Number one, there's going to be no documents from that dispute entered into evidence.

Number two, it's cross-examination only, unless,

of course, the plaintiff decides to bring it up first on direct, but it's, you know -- and I'm not telling you how to try your case, but it's in the form of, Isn't it true that you had a client allege these things.

Now, having done that, Mr. Hilliard gets to explain the context. Sure, the client made that allegation; it was after I sued them to collect my fees; you know, we settled the matter to my satisfaction. He can't testify to the other side's satisfaction. So all of that is fair response to the question, in my view. And I'm not saying those are the only questions in how you do it, but those are the limits of what you can do.

My own personal opinion, for what it's worth, which is probably very little, is I think it's going to end up being a big "so what." I don't think the jury's going to care. And, you know, it could even back fire. If he gets to explain the circumstances, they may well conclude, well, this is just an unfair accusation by a former client who was sued. But it's relevant, it's admissible along the lines that I've discussed. Okay?

All right. No. 2.

MS. STRADLEY: Thank you, Your Honor.

For Motion in Limine No. 2, the reason that defendants are alleging the summary judgment order is relevant is to their breach of the covenant of good faith

and fair dealing. And the big concern here is that this is the first time we've heard this theory.

And we largely address this in our Motion in Limine No. 6. So they are sort of interwoven. And I'm happy to answer questions for both if they come up in this one.

But as we explained in Motion in Limine No. 6, this briefing was the first time we've heard this new theory. If you look at what their answer pleads, the discovery, even their own summary judgment briefing explanation of their breach of good faith and fair dealing, it all relates to our refusal to give consent. And nothing suggests that they're pursuing this breach of good faith and fair dealing based on our alleged pursuit of a meritless geographic or territorial limitation. And so it's very prejudicial at this late stage for us to be addressing this new theory. And so that's our first big concern.

And then, of course, the other is that introduction of a summary judgment order is likely to be prejudicial and confusing to the jury, unduly influenced by the court's finding on this matter. So we don't think that this new theory should be introduced in the first instance; but certainly if it is, the jury shouldn't be given a court order that's going to unduly influence their decision.

THE COURT: Are you, because the issues overlap,

are you also going to be arguing Motion in Limine No. 6 --

MS. STRADLEY: I am.

THE COURT: -- to exclude the complaints? Why don't you go ahead with that one as well.

MS. STRADLEY: Okay.

THE COURT: But I want to make sure about one thing.

MS. STRADLEY: Sure. And if you have a question, I'm happy to just --

THE COURT: Well, this relates to both of them.

Your assertion is that their allegation of the breach of covenant of good faith and fair dealing is that it's only related to failure to give consent. Is there anything that you're aware of in any of the pleadings or interrogatory answers or in the depositions that suggests it was somehow related to the assertion of, you know, a territorial limitation in the license agreement?

MS. STRADLEY: No, not that I'm aware of. And our brief does acknowledge that we certainly knew the disputed -- that provision and its applicability, but we did not understand that the breach of good faith and fair dealing claim was stemming from our pursuit of that breach and continued pursuit for four years during the litigation.

THE COURT: Okay. And one last thing. Are you of a mind that the issue that during the process of negotiating

the potential for a new license agreement FICO took the position that there was a territorial limitation, is that fact in your view excludable as well? Because I'm not so sure it is in that context.

MS. STRADLEY: Could you just repeat the question one more time to make sure I'm understanding it?

THE COURT: Sure. During the process where the parties were negotiating whether or not to amend the license agreement after FICO said it's been breached, among other things, FICO insisted that there was a geographical limitation. Is the fact that they took that position during the negotiations itself in your view excludable?

MS. STRADLEY: I do think it's excludable only because there's no real relevance to that point. Now that the claim for breach based on a territorial restriction has been dismissed, there's really no need for that to come into evidence because it serves no purpose. It's not relevant to our claim of breach anymore, and it's not relevant to the breach of covenant of good faith and fair dealing.

THE COURT: Okay. Very well.

Do you want to add anything about the answer, Motion in Limine No. 6, or the complaints, rather?

MS. STRADLEY: Oh, yes, just that if you do look at the complaints -- even, again, we don't think the new theory should come in; but if you look at the complaints

themselves, they do not actually allege that there's a violation of the territorial restriction. And I think defendants' brief cites to paragraphs 25 through 30; and if you actually look at them, there simply is no reference. So it wouldn't make sense to introduce them for that separate reason as well.

THE COURT: Okay. Thank you.

All right. Federal.

MS. GODESKY: Thank you, Your Honor.

THE COURT: Let me begin by asking you a question.

MS. GODESKY: Sure.

THE COURT: I have never in 30-some years of practice ever seen a court order admitted into evidence. Have you?

MS. GODESKY: I haven't, but I think we cite cases in our brief where they have been admitted. Right? They are not admitted for the fact that, you know, the allegations in the complaint are true, of course, but for the fact that the allegations were made. Right? That might be relevant in a malicious prosecution case, for example. And you could see the summary judgment ruling be relevant, you know, not for the truth of the matter asserted, but for the fact that the court made a particular finding at a particular point in time.

THE COURT: If the question of, if the question of

whether there were a geographical limitation in the license agreement were a fact at issue in the lawsuit, then certainly -- and we can get to some of this -- Federal can say, no, there is no geographical limitation, as a matter of fact. And if FICO were to dispute that, you could, of course, say that the court found that. But I don't see, I don't see that fact in dispute anymore in this case. I understand your argument is it relates to good faith and fair dealing, but I'm not sure it ties to your allegation of good faith and fair dealing.

MS. GODESKY: But, Your Honor, it also is squarely relevant to our breach of contract counterclaim. Right? And that's in the supplemental briefing on the pleadings, right, Motion No. 6, because the counterclaim on the breach of contract is that FICO terminated this contract without any basis to do so and they terminated it citing two reasons. Right? You're using the software outside the United States territory, and there's been a breach of Section 10.8.

So the fact that -- you know, the jury's going to be asked to decide, you know, Did they terminate this with a basis or not. And so we need to be able to present to the jury that one of the two reasons you're going to see in the letters, in the correspondence, in the back and forth, consistent with defendants' position in this case, was

adjudicated by the court and found to be without any basis.

And we list in our papers, Your Honor, really the three facts that we're trying to elicit and we want to put into evidence either through the summary judgment order or through the pleadings or from an instruction from the court. We proposed to FICO that they be uncontested facts that would just be read to the jury. They didn't like that idea, because we were trying to address their concern about all of the extraneous information in these documents and the legalese. Right? They didn't want to go the uncontested fact route.

But if you look at pages 4 and 5 of our opposition brief, there's three bullet points that lay out the facts that we think are squarely relevant to our counterclaims and the jury has a right to know and to understand. Right? FICO --

THE COURT: But hang on a second, though. On pages 4 and 5 you -- the facts you want to establish are that FICO pursued that claim in the litigation.

MS. GODESKY: Yes.

THE COURT: And, you know, for lack of a more polite way of saying it, So what. They pursued it in the litigation; you guys won; that issue is out. Whether they were in bad faith or not bad faith, maybe that's an issue to be taken up after a verdict. But how does it relate to this

trial?

MS. GODESKY: I don't think it's "so what" at all, right, because they're going to be saying, We had a basis to terminate this license agreement, this license agreement that you paid a lot of money for and was supposed to last forever, we had a basis to terminate it, we gave you two reasons. And we need to be able to show the jury one of those reasons they filed a lawsuit over, they made us litigate for five years, we incurred costs. Right? This was done in bad faith and without basis.

THE COURT: And so your point is that fact or those set of facts are admissible to show that it's also likely that their other basis is without basis in fact or law. Is that it? Because, I mean, now -- the only thing they can say now in this trial is, We terminated the license, and we had a basis to terminate it, and our basis for terminating it is basically -- tell me if I'm wrong -- the merger, right, or the acquisition.

MS. GODESKY: Right.

THE COURT: And you didn't get consent, and you didn't seek approval, and we were within our rights to terminate. That's the only thing they can argue at trial as to their basis for termination.

MS. GODESKY: I agree with that, but I think it's going to be very confusing to the jury to be seeing letters

and correspondence in that period that also talk about this purported territorial restriction. And so the jury needs to understand that this was found to be without basis. And that's relevant to show, number one, we are correct, they terminated this contract without basis; they gave us two reasons and one has been dismissed.

And then it's also relevant to the good faith and fair dealing claim because we're saying that they -- the evidence will show that they refused to give consent, because they wanted to extract more fees and they did so by cooking up this excuse that we were using the software inappropriately in Europe, even though the documents show that they knew that all along. That was in bad faith.

And so, you know, it's a combination of things, right, but I also think there is a real jury confusion point here if we have all of these letters where they're accusing us of breaching by using outside the U.S. territory if there isn't some resolution, some answer given to the jury as to what happened to that allegation.

THE COURT: All right. So on the jury confusion point, I can clear that up. Okay? To the extent that those documents are relevant and admitted, and I, frankly, assume they will be, and they relate to this question about territorial restriction, having the court instruct the jury that you may see that in some of the documents, it was a

basis for some of FICO's allegations, but the court has determined that that was not -- that was not a legal basis for termination of the agreement. I mean, to the extent that confusion is really a problem, it could be handled that way.

But now you've said the other thing is that the refusal to give consent was in bad faith and it was done to extract more of a license fee; and in order to do that, they had to have reasons why you were in breach, and this is one of the arguments they made.

MS. GODESKY: In our view, in bad faith, because, as we show the jury, document after document shows that at the time they knew and in fact often facilitated use of software that included Blaze outside the United States.

THE COURT: But all of that even, all of that, even assuming that's fair game, the fact that they pursued this claim in litigation doesn't relate to that. You know, I can see -- I can understand why you're saying that the conduct during the license termination negotiations may -- that may be relevant to that; but the fact that it was pursued in this litigation, I don't see it.

MS. GODESKY: It goes to damages, Your Honor. Right? There's interrogatory responses where we've identified the fact that we had to incur costs and fees litigating this case as some of the harm.

THE COURT: Well, those are not items of damage that you have asserted in the lawsuit, right? I mean, those are items of damage or they are appropriate for the court to consider after the verdict, right?

MS. GODESKY: They have been asserted in interrogatory responses. Right? When the question is asked, What damage have you incurred from these, you know, your counterclaims, we've identified costs and fees of litigation.

THE COURT: But by that logic, any party would get to say costs and fees in litigation are part of my damages, and that's contrary to the American rule.

MS. GODESKY: I think, though, Your Honor, in this context, and we can -- we can certainly present the court with law around this, that the fact that you're incurring the fees can be sufficient to show the harm, show the damages for the element of the breach of contract claim. And then it almost becomes nominal damages at that point, as far as what the jury could award.

THE COURT: But now talk about confusing the jury. Right? I mean, you can't make that argument -- well, maybe you can, but the jury is not going to determine your fees as an element of damages.

MS. GODESKY: No, no. We agree with that. We agree with that. Absolutely. But I'm just -- Your Honor's

question was, How is the fact of litigation relevant to the bad faith claim, you know, and that's why. Right? I mean, we litigated a claim that was found to be without basis. They gave us one of two reasons, one of which we had to spend five, six years litigating.

THE COURT: But the bad faith claim is temporally limited to the conduct pre-litigation. And so the fact that they continued what you would say is bad faith conduct in the litigation, I don't think fairly supports the claim that their pre-litigation conduct was in bad faith; or if it does, it's going to be really confusing to a jury.

MS. GODESKY: I think our primary concern, Your Honor, is that -- and if the court can address it with the instruction or something along the lines of the instruction or facts that you could give the jury about the territorial restriction, that would go a long way to addressing our concerns, because I think undoubtedly both parties have on their exhibit list, right, the letters back and forth about, You breached Section 10.8 and you breached the territorial restriction. And so we need to give the jury an answer as to what happened there.

THE COURT: Well, and the jury -- I guess I would rephrase your point a slightly different way to be that you certainly can't have the jury finding you breached the contract on the basis of the territorial exclusion. That

much is clear. And to the extent that it's in the documents, they need to know that can't be a basis for their verdict.

MS. GODESKY: Yes.

THE COURT: I'll think about that one.

MS. GODESKY: Okay.

THE COURT: Okay. Anything else?

MS. GODESKY: No, not on this one. Thank you.

THE COURT: Okay. Well, I was including also the complaint.

MS. GODESKY: I understand.

THE COURT: Okay.

MS. GODESKY: The complaint and the summary judgment decision are really for those three facts that we were just discussing.

THE COURT: Okay. So here's my order on Motion in Limine No. 2 by FICO and Motion in Limine No. 6. Hang on.

On No. 2, the motion is granted. I think the order of the court is not admissible. Certainly, the document itself is not going to be admitted. And describing the court's order in some fashion to the jury is not permitable.

I think in some measure you can state, but I want to -- we can hear further concerns about this, if need be, but let's assume you were in the process of delivering your

opening statement. I think it's fair to say, as a matter of fact, there's no territorial limitation in the contract. I'm not sure at this point that it's -- that that's relevant to anything.

I understand your point about the bad faith during the negotiations, and I'll think further about that, but --

And FICO couldn't certainly say during the trial, Oh, yeah, there's a geographical limitation. They can't say that. And if for some reason they or a witness were to say, We genuinely believe there was a geographical limitation, then the form of the question I think that's fair is, Are you aware that the court held there is unambiguously no geographical limitation. But I -- before trial I will let you know whether you can even get into that fact, if you are following me. Okay?

On Motion in Limine No. 6, that is also granted. I want to make a couple of other points about that one, not that they're necessarily critical to the ruling, but that motion is granted.

Pleadings themselves are not admissible to prove the facts alleged in the pleadings, but they are admissible to prove the fact that a party made that allegation. And the question then would be, Is the fact that FICO made the allegation in the litigation relevant to an issue in this case? And I don't think it is.

The fact that FICO alleged in its pleadings that the license agreement had a territorial exclusion doesn't relate to the claim in the case. And primarily because of the temporal limitation, your bad faith claim is temporally directed toward the period of negotiation pre-litigation. So -- and as I've indicated, the fact a bad faith litigation, if it's a fact, is something to be taken up, if at all, at a later date.

So that's the rulings on No. 2 and No. 6. Given what I've said, does anybody have any questions about that at this point?

Mr. Hinderaker, your side, anybody have a question about it?

MR. HINDERAKER: Your Honor, I think we're fine. Thank you.

THE COURT: Okay. Ms. Godesky?

MS. GODESKY: No, Your Honor. Thank you.

THE COURT: Okay. Let's go to Motion in Limine by FICO No. 3. This relates to the license agreement that FICO had with ACE from 2006, right?

MS. KLIEBENSTEIN: Correct, Your Honor.

THE COURT: Okay.

MS. KLIEBENSTEIN: So we initially moved to exclude that piece of evidence from the case, thinking that the defendants were going to use it for some sort of

defense. Their opposition brief cleared up that issue, but it brought up another problem.

So the argument before me, Ms. Stradley mentioned this is the first we've seen of a particular theme. And you also heard mention of the phrase "cooking up" as a motive. The opposition brief that was filed by defendants goes one step further and makes additional motive allegations that relate to that 2006 ACE American license agreement.

As we've articulated in our moving papers, it was a very limited license for use of Blaze Advisor in connection with one named application that excludes routing. It's very different from how Chubb & Son used Blaze Advisor.

We see in the opposition brief that defendants want to use that agreement and somehow elicit testimony relating to it that's going to show FICO had a motive. They knew that because of this 2006 arrangement that ACE maybe didn't like the software or wasn't going to use the software post-merger, and so we had to cook up an excuse to get more license fees.

The problem with that motive is twofold. Number one, Your Honor, you're intimately familiar with how many years we've been in litigation, how many documents have been produced, dozens of depositions, hundreds of thousands of emails, possibly. Not a one of them hints to that motive. None are cited in their opposition brief. We know of none

that relates to those three particular reasons that they've outlined in their opposition brief that go to that motive.

So what to do with that? What are we really concerned about? I'm concerned about an opening statement that lacks good faith that certain allegations in the opening statement are going to be proven with facts down the road. I'm concerned that we're going to hear about motives that are completely pulled out of thin air that are a smoke screen. That's not the way that lawsuits are supposed to be tried.

There's one other, one other factor that's mentioned in the defendants' brief that is also a red herring. They want to use this agreement to show that market and in-house alternatives existed. That's number three. However, the experts in this case have articulated what they think are the alternatives and in-house methods. Not a one of them mentioned, Oh, yeah, ACE used this back in 2006 and here's what they thought about it.

THE COURT: Isn't -- well, I don't want to get sidetracked, but isn't the -- I mean, an ACE witness could certainly testify that, yeah, there's alternatives to Blaze, we did certain things in-house. Right? I mean, they -- that's not this motion, but they could testify to that or Federal could testify to that. Right?

MS. KLIEBENSTEIN: Well --

THE COURT: As a matter of fact, that they're aware that there are alternatives.

MS. KLIEBENSTEIN: Correct. We don't dispute that they're allowed to argue there are alternatives. And there's been much ink spilled in this case about what those alternatives are, and not a one of them has been ACE's use of Blaze Advisor in 2006.

THE COURT: Here's one -- well, keep going, if there's anything else you think I should know. I share some, but not necessarily all of your concerns. So anything else you want to argue?

MS. KLIEBENSTEIN: No, Your Honor. Well, yes.

Whether evidence or argument or statements come in or out of a trial, you know, it's this balancing act between the probative relevance, right, and the risk of prejudice and confusion. And so the slight possibility that maybe, maybe defendants could make hay with with these four motives, it is outweighed significantly by the prejudice and confusion risked at this case. Again, I can't stress it enough, dozens of depositions, countless expert reports, hundreds of thousands of documents and emails and not a one of them hint at the motives that they listed in their opposition brief. The defendants shouldn't get a free pass to explore this at this time.

THE COURT: And here's where you and I might part

ways. That seems like a fact in your favor, right? So to the extent that they have this agreement in evidence and suggest that this was, you know, explains the motive of FICO to jack up the fees seems like a really nice opportunity for you to say, That's really interesting, given all the emails you've seen, all the testimony you've heard, all of that, there's not one shred of evidence for that.

So what they want to use it for, the agreement itself, the agreement is the agreement. They want to use it in argument and maybe in cross-examination, which I predict will go nowhere, but they want to use it in argument to say, This is, you know, one of FICO's concerns, they could see this coming, and that's why they did what they did. And the response to that is, Funny how that huge concern never showed up an email.

MS. KLIEBENSTEIN: You are right, Your Honor. We have that escape route planned as well.

THE COURT: Yeah.

MS. KLIEBENSTEIN: However, juries -- these types of conversations are not familiar to juries. It's unknown how they react and respond to contracts, which carry a bit more seriousness than -- particularly to a juror than they would to lawyers that deal with them all the time. So that's the main concern, is misunderstanding fundamentally that 2006 relationship with ACE American, and then the

misuse of it that will come along the way.

THE COURT: Okay. Very well.

MS. KLIEBENSTEIN: Thank you.

THE COURT: Thank you.

MS. GUIDERO: Good afternoon, Your Honor. Roxana Guidero on behalf of the defendants.

THE COURT: Thank you, Ms. Guidero.

MS. GUIDERO: First, Your Honor, I want to clarify something. This has come up previously in the case, in the depositions of FICO's own witnesses talking about the period in late 2015 to early 2016 when FICO was evaluating what to do about the license negotiations. Their own witnesses have testified in depositions that they had in their mind that ACE was a particularly small customer for FICO; and they were worried that when ACE was going to take over the new corporation, they would have no use for Blaze because they knew the history, that it was a really limited relationship. And that's why they were talking internally at that time about what they were going to do about the Chubb license agreement and how they were going to handle it, in order to ensure that their license fees weren't going to be cut off. Right? That's been in testimony for years. They've been aware of it, and we should be allowed to probe that with the witnesses.

THE COURT: Who testified to that?

MS. GUIDERO: Mike Sawyer and Russ Schreiber, Your Honor --

THE COURT: Okay.

MS. GUIDERO: -- who were the two sales people at FICO in charge of the client relationship.

THE COURT: Okay.

MS. GUIDERO: Furthermore, Your Honor, we have witnesses from our side, like Mr. Claudio Ghislanzoni who was the Chubb architect of software development post-merger and he was the legacy ACE person pre-merger.

And a key issue in this case is, What did Chubb and ACE do during the transition period. Right? Did ACE all of a sudden start using Blaze in their software applications? Did they even have a need for it? Did they have an intention to use it?

And Mr. Ghislanzoni is going to talk about what ACE did pre-merger, right, the fact that they had a very limited use of Blaze. The software agreement is relevant to that. And the jury should be able to see the agreement and understand that this use was limited and perhaps take from that that ACE had no intention to expand its use post-merger, that it had no need to add Blaze to its applications because it had already been familiar with Blaze for a number of years and made a determination that there was no need to expand its use. Right? Those are just a

couple of the reasons why it can be used.

It can also be used to show that ACE was conducting its business for many years using Blaze in one very limited component of their business and they did just fine. And that tends to disprove FICO's claims that Blaze is a critically important program. Right? And because we have an advisory finding on disgorgement and copyright in this case, an issue for the jury will be how much value does Blaze bring to the table. And so to see that a big corporation like ACE American was able to run its operations with Blaze in just one very, very limited portion of their agreement or their general tech infrastructure, that is relevant to the case.

As to the arguments about confusing the jury, I think there's absolutely no risk of confusion here, right, both because defendants are not planning to argue that this agreement covers more than it does. Right? We're not going to say that it isn't limited. It is limited. That's precisely the point. There will be witnesses like Mr. Ghislanzoni that will be able to testify about exactly what ACE's use of Blaze pre-merger was, and FICO is free to ask Mr. Ghislanzoni any questions they want to show just how limited that use was.

And moreover, Your Honor, we have -- FICO and defendants both have on our exhibit lists a number of other

agreements with other companies, which I think just is an implied admission that jurors are able to parse through these agreements and understand that this is not the operative agreement that is allegedly breached in this case. Right? It's a separate agreement. But the jurors will be able to clearly understand that, especially given that defendants are not going to argue anything to the contrary.

THE COURT: Well, and defendants are not going to argue that somehow this agreement defines, you know, the actual damages or anything like that.

MS. GUIDERO: Exactly. Yes. We're not planning to do that. It clearly covers what it covers, and that is a very limited use for one application that ACE had pre-merger. Right? We're not going to argue that it covers anything beyond that or that it -- it explains what the damages in this case are. Right? It just goes to the jury understanding all of these different discrete facts. Right? What could the value of Blaze be if a big company like ACE American could do its business without really using it very much? Right? What was FICO thinking at the time knowing that ACE American was such a small customer? Right? Could that have played into their motivations?

And I think the jury should be able to consider this as one piece of evidence in making that determination. And FICO is free to argue in their summations, in their

cross-examinations, anything to the contrary, right, that it shouldn't be -- it shouldn't be considered for the jury, but that doesn't mean the jury shouldn't be able to see the agreement itself and make that decision for themselves.

THE COURT: Okay. Thank you.

Ms. Kliebenstein, I'll give you a final word, if you want, on this one.

MS. KLIEBENSTEIN: Thank you, Your Honor.

Opposing counsel and I have different viewpoints on the alleged facts. I'll note, again, that none of them are cited in the response brief.

One path through this could be to give clear guidelines in the opening statement in the way that the 2006 agreement is referenced and dealt with during the trial.

THE COURT: Understood. Without intending this to come across the way it might, I did not see any of that testimony referenced in your response. And so I don't have the opportunity to really decide whether you're overstating it or accurately stating it.

I'm going to reserve ruling on this one for a little bit; but certainly if it's admitted, there will be some very clear guidance on what it can and cannot be argued to show.

MS. KLIEBENSTEIN: Thank you.

THE COURT: Okay? All right.

MS. GUIDERO: Your Honor, would it be helpful --

THE COURT: Come on up.

MS. GUIDERO: Would it be helpful for the court, Your Honor, if we submit a supplement with that deposition testimony? Would you like to see that or --

THE COURT: If you would just submit the testimony without argument, without anything other than, Here's the testimony. Okay?

MS. GUIDERO: Okay. Perfect. Happy to. Thank you.

THE COURT: Okay. Thank you.

All right. I've got to take a quick break because -- oh, hang on.

After sending you down there, I found part of it. All right.

Never mind. Let's keep going. Motion in Limine No. 4.

MR. HINDERAKER: Your Honor, No. 4. The briefing has been helpful in clarifying the respective positions of the parties; and it seems to me that we are in violent agreement, both sides, that decisions should not be made on the basis of speculation. And FICO has no quarrel with the proposition that a reasonable approximation is not speculation, and it has no quarrel that there should be evidence that -- well, we're in violent agreement that

decisions should not be made on the basis of speculation.

The argument is made that this is a collateral attack on the *Daubert* motion, and I respectfully suggest that it is not. The issue isn't whether the experts are qualified. The issue isn't whether the experts have fact-specific knowledge to this case in which to opine. The issue is what is the issue -- what is the decision that's being presented to the jury, and is the jury being given evidence upon which that -- on which to make that decision on a nonspeculative basis.

The court is familiar with the fact that FICO carries the burden to prove that the use of Blaze Advisor made a contribution in some part, some contribution, to the revenue. It's useful to see in the opposition papers that their position is Blaze Advisor made zero contribution.

My view to the court is that is an attack or a challenge, and they have every right to do so, to FICO's sustaining or not its burden of proof. And the jury can decide, Did Blaze Advisor contribute in some degree to the revenue? Yes or no. If the answer is no, the defendants' evidence will have had an effect.

Getting back to the agreement that evidence should not be -- decisions should not be based on speculation, if defendants are to argue or were permitted to argue to the jury, Well, if you find that Blaze Advisor made some

contribution to revenue, then you have to decide to what extent did it do so. And that's the point where the evidence that they offer is pure speculation, because none of the witnesses try to in any rational way separate out the contribution of Blaze Advisor from the contribution of everything else that the business does.

You know, they cite the *Sheldon* case. That case required -- and in that case the expert testified -- the experts testified to the extent that other factors contributed to the revenue. They cite the *Frank Music* case. The Court of Appeals in that case said there must be, to the district court, there must be a reasonable nonspeculative formula or basis for making a decision.

And, again, we have no quarrel with the fact that a decision on apportionment, what extent did other factors contribute to the generation of revenue, must be based upon nonspeculative evidence.

The only evidence that they do have is speculative because none of the witnesses try to show the extent that, none of the witnesses try to show a reasonable approximation between the two, Blaze Advisor and anything else. So they just leave it to the jury and ultimately to the court, What do you feel -- what do you feel it's like? What do you feel should be the answer? Let's make a guess. What's a good guess? But that's not the way evidence should go in.

So I don't have any quarrel with the evidence so long as the court is giving the guidance and we're all under instructions that the issue that the evidence is coming in on is did Blaze Advisor contribute to the generation of revenue in any small part. Yes or no. If the answer is no, apportionment isn't at issue. If the answer is yes, apportionment is at issue, and they do not have any evidence that's not speculation.

So in that regard, Your Honor, the motion as I'm framing it here in the argument is a little different than how we presented it, because it's now clear that these witnesses are not going to pretend that they know the extent to which these other factors contributed to the revenue, other than to say a hundred percent.

THE COURT: I had perhaps misperceived your motion somewhat. I was under the impression that what you were most concerned about -- I think it's McCarter, maybe not.

MR. HINDERAKER: No. He's their expert.

THE COURT: Right. Who says -- or maybe it was Bakewell, one of the two, who says, What Zoltowski didn't do is he didn't deduct costs and expenses and he didn't do this and he didn't do that. And I understand how that's out and why that's out. But that your motion was they don't get to testify to our general overhead and they don't get to testify to the expenses incurred in generating the revenue,

but that's not how I understand your motion now. Now I understand it more clearly to be, whoever it is -- not Zoltowski. Who is it that's going to --

MR. HINDERAKER: On our side or their side?

THE COURT: On your side. Is it Zoltowski that's going to say contributed to it?

MR. HINDERAKER: No. That's the fellow by the name of Bick Whitener.

THE COURT: Bick Whitener. That's it. So he's going to say it contributed to the production of revenue. They want to say, Well, not very much, if at all, because of this, this and this. And then --

MR. HINDERAKER: I view the defendants' burden of proof to have two elements to it.

THE COURT: Right.

MR. HINDERAKER: One of them is to take the gross revenue -- take the revenue amount attributable to the infringement and reduce that amount by proper expenses --

THE COURT: Right.

MR. HINDERAKER: -- that also were connected to that revenue.

THE COURT: Right.

MR. HINDERAKER: So the expense deduction. We're not talking about that.

THE COURT: Right. You're talking about the

attribution, the percentage of attribution.

MR. HINDERAKER: After you get to that number, then what percentage of that number, what extent of that number is other factors and what extent is Blaze Advisor. And their expert Bakewell, he's the one who said, Well, maybe a little bit, probably not, or something to that effect. And he's the one who said, I wasn't asked to figure out the extent that that was true and I don't know. And then McCarter is their other industry expert, and he simply says, Well, it's a hundred percent the business acumen of the companies and zero percent the technology.

And as I'm suggesting, when the issue is framed so that we know that this evidence is being put in to challenge FICO's burden to prove Blaze Advisor made a contribution, and we're in a game -- we're in a situation where it is either, you know, really all or nothing, FICO made a contribution and there is no nonspeculative evidence of apportionment, fine.

THE COURT: Isn't this -- hang on. Let me pull it here. So as you might imagine, I have read Judge Wright's order and reread Judge Wright's order and re-reread Judge Wright's order. My reaction was that this is exactly what Judge Wright already looked at and denied exclusion of Bakewell or McCarter's -- whose ever it was that opined on apportionment, that despite your argument that, Well, you

didn't quantify it, et cetera et cetera.

So what's -- what's different here?

MR. HINDERAKER: So Judge Wright made her order, and she said we can cross-examine them vigorously and that's the appropriate remedy in this context.

And what's different here is we are now at trial with the jury and trying to control the evidence so that nonspeculative -- so that a jury is presented for decision something that it can decide without using -- without speculating. And the jury can decide whether Blaze Advisor contributed to revenue as against the testimony of Bakewell and McCarter and that would not be speculative, because they aren't trying to apportion the percentages or the extent that the other factors contributed other than to say a hundred percent.

But if the issue to the jury is, Well, Blaze Advisor made a contribution against all of this revenue and all of this profit, to what extent is that profit attributable to factors other than Blaze Advisor. That requires some apportionment. That requires some reasonable approximation. That requires some rational formula that's based upon something, and none of the witnesses have that. So, Your Honor, you're facing a different issue than what Judge Wright faced.

THE COURT: So Bakewell can offer his opinions as

to attribution -- this is your argument -- he can offer those opinions as to attribution, but they don't get to argue that you should only attribute 10 percent to Blaze or 15 percent, because he doesn't say it, and doing so quantifying it would be speculative.

MR. HINDERAKER: And I think -- I think their fair argument is that based upon all the evidence that we're offering, Blaze Advisor doesn't contribute to the revenue at all. That's the fair argument on this evidence. But if it goes -- that's our burden of proof. But if it goes to the level of making some apportionment percentages, amounts separating out all of the revenue to the two buckets of infringing revenue and non-infringing revenue, absolutely no basis to say that, make that distinction.

THE COURT: And you're -- what you would then effectively have is this is a -- this is an on-and-off switch; either it contributes to revenue or it doesn't. And if the jury were to listen to the testimony of Bakewell and in its mind say, Well, it contributes, but not very much, FICO is willing to face the risk that they might just say, Well, if I have to decide it contributes or doesn't contribute and it's really minor, I'm going to find it doesn't contribute.

MR. HINDERAKER: I hope the jury instructions are clear.

THE COURT: Jury instructions will be clear.

MR. HINDERAKER: And I hope the jury is advised that if Blaze Advisor contributes to the smallest extent, absent nonspeculative evidence of apportionment, Blaze -- FICO is presumptively entitled to it all.

THE COURT: So given that this is a motion in limine, what are you asking me to exclude?

MR. HINDERAKER: That's a great question. And I'm asking -- and as I've reframed, as I reframed the discussion in light of the response, I'm not asking for a ruling. I'm asking for -- I find that an opportunity to educate the court on how the evidence is, and I view it as an opportunity at the appropriate time to make the distinction between a decision based upon evidence and a decision that's not.

THE COURT: Okay. Understood. Thank you.

Which one of you? Ms. Janus.

MS. JANUS: Yes.

THE COURT: Come on up.

So here's what I've just heard. Okay? What I've just heard is that the evidence that Judge Wright allowed in is in and FICO and their counsel are suggesting that I may not allow argument about or a suggestion on the jury verdict form somehow about the amount of attribution. So -- and I'm not going to decide that issue today.

MS. JANUS: Right.

THE COURT: Do you need to say anything?

MS. JANUS: I don't -- I don't think so. That is not the motion that, that is not Motion in Limine No. 4 -- I heard the same, which is that Motion in Limine No. 4 is essentially withdrawn, and I know enough to not say things when something like that happens, so --

THE COURT: Chief Judge Schiltz would applaud that. All right.

MS. JANUS: Which should not suggest agreement with any of the argument that counsel for FICO just made --

THE COURT: Understood.

MS. JANUS: -- other than to acknowledge that Motion in Limine No. 4 has been withdrawn.

THE COURT: Okay. Very well.

So as to Motion in Limine No. 4, it is denied. I'm going to deny it as moot, but I'll make it clear that the evidence comes in.

All right. Motion in Limine No. 5. And that will conclude FICO's motions. And we're behind schedule, but we're doing okay.

MS. STRADLEY: Thank you, Your Honor.

Motion in Limine No. 5 comes down to a fairness and prejudice argument. As Ms. Kliebenstein said, the parties have been at this for many years now. And if you

take a look at the disclosures that are found in the second supplemental initial disclosures of the defendants and you do compare them to the current witness disclosures for the subject matter that they intend to elicit testimony from the witnesses on, there is just -- there's new testimony. There's previously undisclosed categories of knowledge or subject matter that they intend to elicit from these witnesses.

And if you just look at the chart that we provided, I think a comparison shows that it's simply not apparent from a plain reading of the initial disclosures versus the current descriptions that some of these are encompassed by these initial disclosure descriptions. That's one of their arguments, that we should somehow know from the initial disclosure description that these new topics are encompassed within the initial disclosure description. I just think that's not clear at all when you actually look at what's been disclosed and compare the two.

One of the reasons for initial disclosures for disclosures and interrogatory responses about who is knowledgeable about certain topics is so that we don't have to guess and try to read the defendants' minds, because obviously we can't do that; and I think that's sort of what they're asking us to have done here, when you look at the comparison of those descriptions.

The other point that defendants make is they reference some deposition testimony or documents. And, again, I think if you actually look at the documents and the deposition testimony, it's not clear -- certainly not clear that these witnesses are knowledgeable on the subjects that the defendants have now identified them for. For example, some of the, some of the documents are emails where a person is cc'd, and the email makes a passing reference to a certain subject, but that person that was cc'd made no comments, made no discussion. It was just on an email with a passing reference to, for example, global license or something of that nature. And I just think it's not -- if you actually look at what they've identified as the documents and the deposition testimony, it doesn't disclose what they're now saying we should have known they were going to call these witnesses for.

With respect to Mr. Hinderaker's point, one of the new topics that they've identified witnesses for and that we're particularly concerned about is this identification of factors that contribute to the revenue generated and profit that's been generated. And to Mr. Hinderaker's point, they haven't disclosed any witnesses or provided any evidence that gets to the extent that these factors allegedly do or do not contribute to the revenue and the profit generation. And they shouldn't now be able to try to shore up, shore up

their evidence to try to meet this burden that we don't think that they can meet. And whether that's their intent from this new disclosure or not, our concern is that that's something they are going to try to do and they shouldn't be allowed to do so.

Another point I wanted to touch on is the declarations that they've referenced for -- I think it's Ms. Lopata and Mr. Gibbs. Those declarations were both submitted during summary judgment. So after the fact discovery deadline had closed. So it's not a notice that really provides us with any opportunity to engage in discovery, whether it's for the written -- written discovery or depositions. It's not a notice that's actually useful to us because it occurred after the fact discovery deadline. And so I don't think that that's a fair, a fair disclosure that really gives us the full and fair opportunity we're supposed to have to explore their knowledge before trial. And at this point it's just -- it's too late to be identifying these new topics, and there's simply no reason that they couldn't have identified them earlier; and if you look at their briefing papers, they don't suggest there's any reason they couldn't have identified the subject matter earlier.

And I do know we identified a lot of people that we thought had subject matter that's now beyond the scope of

a prior identification. Is there anyone in particular that you had questions about or that I should address that would be particularly helpful for you?

THE COURT: No. I have looked at the information submitted regarding all seven of the witnesses. Honestly, the declaration witnesses, I believe, according to my chart, we're talking Pamela Lopata and David Gibbs, right?

MS. STRADLEY: That's correct.

THE COURT: Yeah, those are perhaps the most concerning, but I don't think I have questions about it.

MS. STRADLEY: Okay. Well, I will touch on Ms. Lopata just briefly. We already touched on her declaration. But I did want to note that the exhibits -- the documents that they cited that allegedly disclose her knowledge, those are -- they cited to Exhibits 14 and 15 of Docket 775. Those don't actually even reference her. She's not identified -- excuse me -- on those. And so I don't think that that's very much disclosure of her alleged knowledge.

And then also the fact that a communication might happen to identify a client agreement doesn't disclose the knowledge of a corporate structure or the nature of a particular business, which is what they're alleging these documents should have told us, so.

THE COURT: Well, on that one, let me talk about

that one for a second, the corporate structure. It seems to me -- I'm sympathetic to their point that the corporate structure is kind of baked into the case. I mean, certainly that's an item that FICO seems to be very interested in. Clearly, they get to put on a witness to talk about it. So, you know, why is this -- I'm not sure I find the unfairness in that one, as an example.

MS. STRADLEY: Well, for one, we don't know what she's actually going to say. She could contradict things that were previously said from the witnesses that they did disclose as being knowledgeable on the corporate structure or the nature of Chubb & Sons.

THE COURT: That's a problem for them more than it is for you.

MS. STRADLEY: Well, without knowing what she's going to say, it's hard to necessarily preempt or contradict and prove that she's wrong.

THE COURT: You have --

MS. STRADLEY: We don't actually know what she will say.

THE COURT: You have 30(b)(6) testimony on this topic, right?

MS. STRADLEY: Yes, I believe we do.

THE COURT: Okay. So if any of those witnesses testify contrary to what's been stated in a 30(b)(6)

deposition, they're in the awkward position of testifying in contravention of the company itself, which, as I say, that's a problem for them, in my view, but --

MS. STRADLEY: It is, but I think our main point is, in general, that there's numerous disclosures that are beyond what -- what was previously disclosed and the compounding of not just one witness, but multiple adds an additional unfair prejudice. Of course, it is already unfairly prejudicial for one person, but, let alone, when we're at this late stage of the case trying to -- excuse me -- prepare for multiple witnesses where we now don't know what they're going to say and we're trying to guess essentially at what they might say.

THE COURT: Okay. Thank you, Ms. Stradley.

MS. GODESKY: Your Honor, there's no unfair prejudice here. What's happening here in the motion is some sort of attempt to technically police these initial disclosures, and that definitely doesn't hold water with four of these seven witnesses whose percipient witness depositions were noticed and taken.

All of the authorities that FICO has cited in their brief are so inapposite. The two district court cases are cases where no initial disclosures were done at all, so there was no knowledge of anyone's witnesses names at all. And the two Eighth Circuit cases are cases about expert

disclosures. So they have no authority at all for what they're asking you to do.

And when it comes to the four of the seven who were deposed, if you look at their deposition transcripts, they were deposed on topics that they are now saying they didn't have notice of. I will give you one example. Mr. Schraer. There's a complaint that he was not disclosed on this topic that we're going to call him to testify on, factors that contribute to generation of profit, generation of revenue and profit. If you look at Mr. Schraer's deposition, he was noticed as a percipient witness, he was questioned for hours on end, and he testified, quote, "It's a very relationship-driven business," quote, "There's a complex mix of all kinds of activities to make an underwriting profit." Right? It was out there at deposition, and they had an opportunity to probe it. And that's true for Mr. Ghislanzoni, Ms. Theberge and Mr. Pandey as well. And if the court is inclined to preclude any of their testimony, I'm happy to walk you through you that testimony as well.

But, but, you know, for this moment, I will focus on Mr. Gibbs and Ms. Lopata, because the court said that you had particular concerns about them.

As for Ms. Lopata, she was disclosed in interrogatory responses in this case as someone

knowledgeable about the parties' agreement, communications between the parties and the parties' course of dealing. That disclosure necessarily encompasses the definition of "client and affiliates" as it appears in the agreement and what that means in terms of Federal's corporate structure. They have hours of 30(b)(6) witness testimony on Federal's corporate structure that they can use to impeach Ms. Lopata, if they so choose to try to do so.

And if you look at the -- there's a hearing transcript that we attached to our papers where counsel for FICO acknowledged at one of the discovery hearings in this case that Ms. Lopata was disclosed, they deemed her to be completely duplicative of another witness, Ms. Tamra Pawloski, and they decided not to take her deposition. And there's a discussion at length in that hearing transcript about how their strategy in this case was to rely very heavily on 30(b)(6) witness depositions. So they can't come here now and say, We wish we had -- we had taken more percipient witness testimony as well.

The same is true for Mr. Gibbs. He was disclosed in the initial disclosures as knowledgeable on Federal's use of Blaze in the UK, and that's what he's going to testify about. That necessarily includes talking about the software license agreement. Right? Was the use of Blaze in the UK done to his knowledge pursuant to the parties' license

agreement? Squarely within the initial disclosure.

THE COURT: Why is that relevant? We talked about territorial limitations, geographic limitations in the license agreement. Why is he going to talk about that at all? What's the point?

MS. GODESKY: Well, because it's relevant to FICO's claim that Chubb UK, Chubb Europe --

THE COURT: Expanded?

MS. GODESKY: -- that they were not allowed to use the license, right, because they're affiliates of Federal --

THE COURT: Okay.

MS. GODESKY: -- and they're not affiliates of Chubb & Son. And so to address that we need to show FICO was well aware that these Federal affiliates were using the software as they were licensed to do so.

THE COURT: It goes to the "client and its affiliates" --

MS. GODESKY: Yes, Your Honor.

THE COURT: -- term in the contract.

MS. GODESKY: Yes, Your Honor.

THE COURT: All right. Keep going, if there's anything more.

MS. GODESKY: So I wanted to address Ms. Lopata and Mr. Gibbs, in particular, because you had expressed concerns, but, otherwise, I'm happy to stop here in the

interests of time, unless you have questions.

THE COURT: I don't. Thank you.

MS. GODESKY: Thank you.

THE COURT: All right. I am going to deny Motion in Limine No. 5.

I just want you to know that I have reviewed carefully the information from both sides, including, of course, the information that Federal submitted regarding these witnesses. And I find that FICO has had -- and I'm not going to go through it in detail, but has had reasonable notice of these witnesses' testimony, and it's not unfair that they be allowed to testify in accordance with the trial witness notification. Many of them were deposed. The depositions touched on some of these topics. To the extent that witnesses are going to testify about 30(b)(6) topics, you have the best testimony on those topics. So I don't find unfair prejudice or surprise in that one.

Let me go back to Motion in Limine No. 3, I believe it is, which is the Federal -- or the ACE agreement from 2006. I will grant that in part and deny that in part. I deny it -- the agreement will come in. I'm going to give you guidance in advance of trial as to what it can come in for and what you can argue about it, and it's fairly limited, but the document itself can come into evidence.

Let's turn to Federal's motions. And we have

really only two of them. I believe 3 was withdrawn subject to what I think has been called No. 4, which is the stipulation. Correct?

MR. HINDERAKER: Your Honor, 3?

MS. GODESKY: That is 3, Your Honor.

THE COURT: That is 3? What's 4?

MR. HINDERAKER: Well, one of them was a stipulation, leaving three.

THE COURT: Right. Okay.

So Federal Motion No. 1. Who is arguing?

MS. GODESKY: Your Honor, I apologize. We did not number our motions in limine.

THE COURT: Oh, well, I did then. Motion in limine regarding FICO's presentation and evidence on its alleged actual damages.

MR. FLEMING: Your Honor, I had numbered ours, and I have it as No. 2, but --

THE COURT: That's No. 2. Okay. The Bill Waid motion.

MR. FLEMING: Exactly. And you've stated that you've read recently and repeatedly Judge Wright's opinion, because it directly addresses the issue about the admissibility of an app-based methodology proving actual damages.

In her opinion, she's addressing Mr. Zoltowski's

app-based methodology for a $37 million actual damage figure, but she said it's based on -- she excluded it and it was on the basis that it was based on the wrong legal theory. FICO has argued that it's expectancy, it's what we would have charged. And Judge Wright clarified, well, no, it's a fair market value, is the basis for determining actual damages. And this app-based methodology does not do that. It's subjective. It only goes to what they would have wanted to charge, but it doesn't show what a willing buyer and a willing seller would reasonably have agreed to. And she excluded it.

And two months later, three months later, FICO files its supplementary interrogatories and they double down. They give a $47 million figure based on the exact same methodology that has been excluded. And there's no difference between what Mr. Waid would testify than what Mr. Zoltowski purported to testify, since his was based on Mr. Waid's analysis. There's no difference. And it's a collateral attack on Judge Wright's order because it does not comport with the fair market value analysis, which is the appropriate measure for damages here.

If Mr. Waid could testify as to that, then Mr. Zoltowski could testify as to that. I mean, it's a circular -- it really makes no sense for Mr. Waid being able to provide that app-based methodology, which the court has

already excluded.

And their only response is that the judge referenced in passing what they could provide. But what Judge Wright said simply at the end, after explaining at length why the app-based methodology is going to be precluded, she says, "Although some of the facts underlying Zoltowski's opinion may be relevant to the calculation of a hypothetical loss license fee, his selective application of the facts leads to a subjective and unreliable result." I mean, she simply says "some of the facts underlying" his opinion. I mean -- so there are other things that can be testified about, but not this app-based methodology. I mean, she could not be more clear about the preclusion of that evidence.

So, I mean, we're asking that his -- Mr. Waid's testimony or any other FICO witnesses who comes forward and uses an app-based methodology precisely as Mr. Zoltowski had, that it be subject to the same order.

THE COURT: I think -- here's where I think we maybe part ways. What she says is, and this is at page 31, "Zoltowski's opinions as to FICO's actual damages do not consider what a willing buyer and a willing seller would have" -- sorry, Renee -- "contemplated. Instead, his opinions focus primarily on what FICO would have charged defendants had FICO known that defendants were bound to the

license for the relevant three-year period with no prospect of any future business dealing between the parties afterwards. According to FICO, its standard annual application fee pricing for the period of unauthorized use is the measure of FICO's loss, not the purported value to Federal, but this measure does not accurately reflect the legal standard." So -- and then goes on to say that some of the facts underlying the analysis are admissible.

So what I read in that is under no circumstances can FICO argue that this methodology is the measure of its actual damages because that's what FICO would have charged. And I don't think they can argue it's the measure of damages, period, but the underlying facts, here's how we price, if we price on an application basis, here's how we price it. It's going to be untethered testimony, perhaps, but the jury can hear it when it considers, I think, what a willing buyer and a willing seller would negotiate. And they're free to argue that this is -- you know, these are facts that the jury can use. They're not free to say, That's the measure of actual damages. So I do think there is a, there's a slice here that they get to put in, but it has to be careful.

MR. FLEMING: All right.

THE COURT: And you think none of that methodology comes in?

MR. FLEMING: Well, not a methodology in which they take 15 different applications, determine a fee on an annual basis and then multiply it by the number of years that they claim infringement, which is exactly what Zoltowski did, which is exactly what was precluded and what they've done in their most recent supplementary interrogatory responses. It's the exact same thing. There is no difference.

Now, if you are saying, Well, they can talk about how they license applications on an annual basis, they can do that; or if they have any license agreements where they've sold somebody a license based on 15 different applications being utilized in this way, but, oh, wait, he said he's never done that, so they don't have any of that evidence.

What we're asking here is an order precluding an actual damage claim based on an app-based methodology, which is the basis for their most recent interrogatory responses.

THE COURT: Okay. I understand. Anything further?

MR. FLEMING: Not right now, Your Honor.

THE COURT: Okay. Thank you.

Mr. Hinderaker.

MR. HINDERAKER: Thank you, Your Honor. And if you wish, we could blend this together with the other motion

regarding Zoltowski. I'm happy to talk about both at the same time.

I think it's fair to say I've read Judge Wright's order at least as many times as you, and I did not hear -- or I did not read one time where she uses the phrase "application-based pricing."

What she does say at another point in the summary judgment motion is, "Relevant evidence includes evidence of FICO's standard pricing methodology. That, together with evidence of defendant's use of Blaze Advisor, creates a genuine issue of disputed fact as to actual damages."

As we know, what Judge Wright said was damages have to be proven by a hypothetical negotiation. The difficulty with Zoltowski's opinion was that he did not use a hypothetical negotiation. She ruled. No quarrel. He doesn't talk about the amount of actual damages, Zoltowski.

But the application-based pricing stems from FICO's standard pricing methodology. And our approach is going to be much as you suggested, Your Honor. Bill Waid, who has more experience than anybody at FICO in terms of negotiating and pricing Blaze Advisor licensing agreements and has a bigger title now, but at the time he's also been the manager of the whole decision-making space, products of FICO, more than enough personal experience, more than enough personal knowledge, and he will testify to, first, How does

FICO in a standard pricing methodology approach this situation. And he will also testify based on his experience, Well, what are other factors that go into all of the negotiations that you've had. And he will testify to those. And for those opinions that Judge Wright -- those Zoltowski opinions that Judge Wright permits, permitted, he will rely upon those. That quantifies the extent to which applications have benefited the defendants in terms of revenue. It quantifies the extent to which the applications have benefited not just Chubb & Son, but dozens, two dozen writing companies that Chubb & Son used Blaze Advisor for.

All of that will go into a hypothetical negotiation, construct. Your Honor, the court, will instruct the jury on what factors may be considered in a hypothetical negotiation. The jury will decide what is the actual damages through this hypothetical negotiation.

Bill Waid's supplemental -- our third supplemental answer to Interrogatory Number 6 was from Bill Waid. It updated the, it updated the period of time from when Zoltowski had $37 million to the time of those interrogatory answers where it's just more years were added on to get to 47. That gives disclosure to the defendants of what that starting point of the negotiations are, but it's not going to be -- it's not a hypothetical negotiation that the jury will use to decide what fair market value is.

I think that the defendants, you know, the defendants are free to cross-examine. The defendants are free to look at other license agreements that FICO has had over the years. The defendants are free to ask Bill Waid, Have you ever priced another license on this application-based way. And I think he'll say yes.

The defendants talk about never before 15 applications. Well, actually, it's 18, but two are from Australia, a different company, four are from Europe, a different company, three are from Canada, a different company, ten are from the United States app use.

And Mr. Waid will have to explain and will how in his judgment and his negotiations that, in this construct, that is a fair market value for the economic circumstances of this case, and he will distinguish that from the economic circumstances of other situations.

You know, as Judge Wright said, the hypothetical negotiation takes into account the evidence of defendants' use. The hypothetical negotiation is occurring at the time of the breach. The hypothetical negotiation is a determination of what's the fair value to FICO having a willing licensee and a willing licensor agreeing to transition away from using Blaze Advisor. Rather than just take the product and use it as unlicensed, what would a willing licensor and a willing licensee have priced for this

use of Blaze Advisor until you transition away. That's Mr. Waid's testimony. He's perfectly capable of doing that, when this court has already had the argument about a fact witness who has got technical expertise being called an expert, Mr. Marce, and that's not Mr. Waid either. Defendants can cross-examine. It will be a hypothetical negotiation. And the testimony that he will complete and that the jury will decide will be the fair market value on that hypothetical negotiation, not limited to an application-based methodology, although it will stem from FICO's standard pricing guidelines.

Thank you, Your Honor.

THE COURT: Hang on one second.

You've used the phrase "standard pricing methodology" and so did Judge Wright. I've understood there to be -- maybe you wouldn't call them standard, but they at least distinguish between there's an application-based methodology and an enterprise-wide methodology. Those are both -- are those both standard pricing methodologies? Okay. All right.

MR. HINDERAKER: Mr. Waid was deposed a couple times. The FICO standard pricing methodology in existence since I think it's October 2003 is one of the exhibits Mr. Fleming used in that deposition. In conjunction with that guideline (indicating) is what's called a sizing

matrix. That was also part of the deposition and is used in conjunction. This guideline (indicating) does discuss and describe in what circumstances do we have a perpetual license agreement, what is the fee for that, in what circumstances is it an application-based license agreement, how do we determine the fee for that. Bill Waid will explain how FICO's damages follow the guidelines as they're written in the exhibits, in the documents.

THE COURT: Okay. Thank you.

MR. FLEMING: Your Honor, I have a few responses to what Mr. Hinderaker just said, and then Ms. Godesky was going to talk about the admissibility of those Zoltowski testimony. So she'll follow me, if that's all right.

THE COURT: Yep.

MR. FLEMING: Okay. So I don't know exactly what Mr. Hinderaker is saying here, because it's as if he's saying, well, as long as he uses this phrase "hypothetical negotiation," he can testify about whatever he wants to. And that's -- you can't simply do that, because Judge Wright does give quite a bit of direction.

And one thing she says is that the copyright owner's subjective beliefs or objections to an alleged infringer's conduct are irrelevant to this inquiry. But I hear Mr. Hinderaker saying that those circumstances should be taken into account in a hypothetical negotiation, but she

has said they should not be.

So what I'll end with is that to the extent that there is an attempt by Mr. Waid to provide an actual damage figure based on an app-based pricing, which, by the way, was used in Judge Wright's opinion on page 31, and he bases it on a 15 -- on a 15-app basis using the exact same methodology that Zoltowski used, that that evidence ought to be excluded. Just a straightforward following of Judge Wright's order with regard to Zoltowski. It applies equally well to Mr. Waid.

THE COURT: Okay. Thank you, Mr. Fleming.

Hang on a second, Ms. Godesky. I was going to tell you what I was going to do on this motion --

MS. GODESKY: Okay.

THE COURT: -- and let me first.

The motion is granted in part and denied in part. And I will give the parties some further direction about experts at the end of all this, but here's what Mr. Waid can testify to that is consistent with Judge Wright's ruling.

And in case it is not blindingly obvious, I am going to follow every one of Judge Wright's rulings. It's the law of the case.

Mr. Waid can testify to the pricing structure for application-based pricing. In other words, he can testify to how they price on an application-based contract. He can

testify about what apps in Federal's group are subject to what pricing. In other words, are they small, medium, large or very large, and what price would apply to that. He can testify to how many apps Federal has. And the last thing I'm about to say is the one that I am least certain about, but I think he can do the math, meaning 15 apps at this price means this amount. Okay? What he can't say is that this is FICO's actual damages or use the phrase "hypothetical negotiation" or say this is how much FICO would have charged.

So the jury can have those facts about that pricing methodology. And Mr. Hinderaker and his team are welcome to use those facts appropriately in their final argument or in opening statement as factual matters. They can use it to say that the jury can consider these facts. And in argument, he can make what argument he chooses about what the actual damages are, but that's not coming out of a witness's mouth, at least that's how I understand Judge Wright's ruling.

So, all right, let's go to the last one. I think this is the last one, correct, Ms. Godesky?

MS. GODESKY: Your Honor, there's actually two more, but the first one is the one I was getting up to argue --

THE COURT: Right, Zoltowski.

MS. GODESKY: Yeah. And I think it's very brief, because the issue here relates to what you just decided.

So as we have been discussing, Judge Wright held unequivocally that Zoltowski's opinions with regard to actual damages cannot be presented to the jury.

In their opposition to this motion, FICO says very curiously, quote, "Mr. Zoltowski will offer facts and his analysis of certain facts that the jury will consider in determining actual damages." And that is completely contrary to Judge Wright's holding. He may only testify as to disgorgement.

To the extent that they envision calling Mr. Zoltowski to echo the facts that you just explained Mr. Waid may testify to, that would be completely improper, because he has no personal knowledge of these facts, he's never worked at FICO, and he would just be dressing up facts with the imprimatur of your damages expert, right, to sort of sneak in extra opinions regarding these facts that can only come in through fact witnesses. So I think this is very clear-cut.

And so what we're asking for is additional guidance to FICO that given Judge Wright's ruling and the law of the case Mr. Zoltowski cannot offer facts and analysis of facts relating to actual damages, because all of his disclosed actual damages opinions have been excluded.

THE COURT: Let me ask you this. What's the next -- you say there was one more after this. What's the next one after this?

MS. GODESKY: That's the motion on Mr. Carretta's testimony.

THE COURT: Ah. Okay.

MS. GODESKY: Yes.

THE COURT: All right. Let me hear from FICO on this.

MR. HINDERAKER: As I've already said, Mr. Zoltowski will not be giving testimony on a damage amount, a dollar value.

He does have other opinions that were part of his report, and those other opinions bear upon both disgorgement and they also bear upon the intrinsic value of Blaze Advisor to the defendant, to factors that a reasonable licensee would consider.

And he was -- he's permitted to testify to the corporate structure of the defendants, the subsidiary structure of the defendants, the fact that the defendants operate in what are called pooling arrangements by way of which they share their revenue and expenses. He testifies to the fact that these companies operate together as a single enterprise and that Blaze Advisor is being used in connection with generating revenue from the policy sold by

all of those insurance companies. He speaks to the economic relationships of these corporate entities. He speaks to the use of Blaze Advisor in all of these various writing companies.

He has the evidence and he has the analysis to advise the jury in terms of the revenue per year or the full period for each of the applications that use Blaze Advisor, how many -- how many dollars do the defendants concede was connected to the use of Blaze Advisor by these applications. That gives us good evidence of the extent that Blaze Advisor was used by the defendants, one of the factors Judge Wright found to be relevant in hypothetical negotiation.

As Judge Wright said in footnote 1 about the defendant's expert McCarter, testimony that's relevant to actual damages is different from an opinion on actual damages.

There's no quarrel that Mr. Zoltowski doesn't testify to the amount of actual damages, but everything else in his report, say, what, a page and a half or so, say the limited amount where he was doing the math on the application pricing, everything else in his report is in the record -- I mean is admissible and he can testify to. So --

And as I said with the other, with the other motion, if I said that Mr. Zoltowski is going to testify to the dynamics of a hypothetical negotiation, I don't -- I

hope I didn't say that, because it's not what he will testify to. His report doesn't -- it doesn't address a hypothetical negotiation at all, so, of course, he didn't testify to that and he won't be. But the jury is going to be able to consider with the court's guidance of what are the factors that are relevant, these things that Mr. Zoltowski does testify to and may testify to under Judge Wright's order under *Daubert*.

THE COURT: Okay. Thank you.

So the best way to describe my ruling on this one is that it's granted in part and denied in part as well, but this is -- here's what I want to convey on the subject of experts. Hopefully, this guidance -- it not only answers I think this motion, but it answers perhaps some unasked questions or lurking questions.

So I'm going to start with Zoltowski. Mr. Zoltowski cannot offer an opinion as to what FICO's actual damages are. Point one.

Point two. He cannot testify to facts supporting that opinion, the opinion he originally gave, because he does lack foundation -- that's point two as to those facts -- unless, and this is point 3, those facts have also been disclosed as support for his opinion on disgorgement. So if the facts have been disclosed or relied upon as to his disgorgement opinion, he can testify to them.

Now, because Zoltowski can't testify to actual damages, Bakewell can't testify to the flaws in Zoltowski's actual damages analysis or to the facts that support his opinion that Zoltowski's actual damages analysis was flawed.

Zoltowski's rebuttal opinions in his rebuttal report are limited to only those opinions to which Bakewell and Kursh actually testify at trial, and both of them have been limited by Judge Wright as well.

And to make sure it's also clear, Zoltowski cannot testify to opinions or matters that are not disclosed in his expert reports or covered in his deposition. I'm assuming he was deposed. So to the extent that he has now said something and that's been put in here and that exceeds the scope of those matters, he's not going beyond them. Okay?

MS. GODESKY: Your Honor, may I ask for a clarification relating --

THE COURT: Please do.

MS. GODESKY: So this is not specific to experts. That guidance was helpful. This relates more to argument and the boundaries for attorney argument, because --

THE COURT: All right.

MS. GODESKY: -- I heard Mr. Hinderaker talk about how this hypothetical negotiation should take into account how FICO, quote, "would approach this situation." That's how he phrased it. And then he referenced the fact that the

hypothetical negotiation should take into account the economic circumstances of this case and defendants' use in this case.

And so I just want to be clear. Mr. Fleming referenced this line in Judge Wright's opinion where she said, "The copyright owner's subjective beliefs or objections to an alleged infringer's conduct are irrelevant to this hypothetical negotiation." And so I just want to confirm that that is the law of the case.

And to the extent we're characterizing in argument what this hypothetical negotiation looks like, I think it would be outside the bounds for counsel to suggest that you should be taking into account, you know, this situation where you're dealing with someone you think to be infringing on your product, you know, the economic circumstances of this case, where you're accusing someone of breach and infringement, because that is not the arm's length hypothetical negotiation that, you know, the jury will be asked to decide.

THE COURT: The hypothetical negotiation, as I understand it -- first of all, I think the first point you make, I agree with. How FICO would approach it is not relevant. How Federal would approach it is not relevant.

What is relevant is you have a software provider, for lack of a better, more accurate description, and an

insurance company, and the insurance company uses it for these processes and how often it's used and all that stuff, and this is how this software manufacturer engages in pricing. And if you assume then you have a hypothetical willing seller and a hypothetical willing buyer, the jury has to arrive at a figure. And the economic circumstances, as I'm using that phrase, would include the extent of use of the buyer and things like that.

And so when you, when you talked about point two and point three that Mr. Hinderaker raised, my reaction is those are fair.

You then raised another point, which is in the context of someone who is allegedly infringing or who has breached the contract. I don't think those are reflective of market value. Those are subjective.

The question is, Given that the parties find themselves at this moment in time and they are negotiating a license with these characteristics, what would that negotiation result in. That's how I understand it.

MS. GODESKY: So do I.

THE COURT: Okay.

MS. GODESKY: Thank you for the clarification.

THE COURT: Mr. Hinderaker.

MR. HINDERAKER: I think -- well, I can't repeat what Ms. Godesky said to characterize what I said. I do

agree -- and I am happy to have the guidance. I do agree that a hypothetical negotiation looks to what a reasonable licensor and a reasonable licensee would do in the context of that negotiation, in the context of the circumstances of the negotiation.

I agree that FICO's claim of actual damages is not, is not -- FICO cannot claim actual damages based upon its subjective belief of what it wanted, because that's not the hypothetical negotiation, but FICO can go into a hypothetical negotiation saying, as licensor, One of the first steps we do is we look at our pricing methodology and our guidelines, we figure out what the sizing is and we come to some sense of what value is and then -- but that's not the end of the negotiations. And I think that was Judge Wright's points. That's not a negotiation at that point, and it's certainly not the end of a negotiation. So what does the -- what does a willing licensee look to and what are those factors? And how do they -- what weight do they have in the circumstances of the negotiation?

So if we're -- I have no quarrel if the court's guidance is that the evidence should be directed to the factors that come into play in negotiating a license agreement between a willing licensor and a willing licensee under the circumstances at the time. If it's something other than that, then I'm not understanding Judge Wright's

order.

THE COURT: The only thing that I think in that that's -- where there's an ambiguity is what everyone means by "under the circumstances at the time." And I think that means how much are they going to use, for how long, what have they historically used, what are you guys doing. But I don't think it means, And they just breached our contract or they just infringed our copyright. Now, it does I think include, We know that they intend to use it only for the next three years or whatever. Those circumstances are all part of the negotiation.

MR. HINDERAKER: And so that I'm clear and our intention, I do not intend that the hypothetical negotiation is premised on some putative notion that because you're an infringer, we take a pound of flesh.

THE COURT: Right.

MR. HINDERAKER: I'm supposed to be in the context of a willing licensor and a willing licensee.

THE COURT: Who, for lack of a better way of putting it, in essence, have come to the end of the contract period and now they're negotiating a license going forward.

MR. HINDERAKER: For the fair market value of whatever that period of use is going to be, yes.

THE COURT: Right.

MR. HINDERAKER: At that stage where the

relationship has been ended.

THE COURT: Right. I think that's --

Ms. Godesky, you look concerned.

MS. GODESKY: Just I was only concerned with the last piece of what Mr. Hinderaker said, you know, that you're taking into account that your relationship has ended?

THE COURT: Well, I took that to mean kind of what I just said, which is, You're at the end of your contract period, now you got to negotiate a new license.

MS. GODESKY: If that's the understanding, I agree.

THE COURT: Okay. All right.

MS. GODESKY: Thank you. That was helpful guidance.

THE COURT: Was it? I have no idea anymore.

All right. Let's take up the last motion in limine. Carretta, I believe?

MS. GODESKY: Yes, Your Honor. So FICO -- this is Mr. Thomas Carretta, in-house lawyer at FICO, and FICO intends to call him to testify selectively about his advice and work product.

He was approached by the business team at FICO after they learned of the ACE acquisition and asked for legal advice about the license agreement. And, in particular, they want to elicit testimony from Mr. Carretta

about how he interpreted the agreement with regard to whether consent was required after an acquisition or merger event. And we have three problems with that.

First, that is a legal conclusion. Right? To have any witness up on the stand interpreting a contract is obviously problematic, and it's even more problematic when you have someone who is introduced as a lawyer because then the jury, you know, is going to give them credence.

THE COURT: Let me stop you for a second. Okay. So one of the issues in the case is whether consent was required.

MS. GODESKY: Yes.

THE COURT: The jury's going to have to decide that.

MS. GODESKY: Yes.

THE COURT: FICO gets to say, We think consent was required.

MS. GODESKY: Yes.

THE COURT: Federal gets to say, No, it wasn't.

MS. GODESKY: Yes.

THE COURT: That's got to come in through witnesses, right?

MS. GODESKY: Yes.

THE COURT: Okay. Just not Mr. Carretta.

MS. GODESKY: Just not Mr. Carretta.

And that's what distinguishes Mr. Carretta from the witnesses whose testimony we've designated and FICO pointed out in their opposition brief, because the evidence that is probative to how Section 8 should be interpreted is the words on the page, testimony from people who were involved in the negotiating and the drafting of the deal, and then the course of conduct of people who were operating for years under that agreement.

And so, for example, FICO pointed out that we've designated some testimony from Mr. Schreiber and Mr. Sawyer, the two business folks at FICO who were, you know, course of dealing with Federal for years under this contract. And so, yes, their interpretation of the contract and the meaning of its terms is relevant because it's reflected in their course of dealing, their unobjected-to course of dealing for many years. Mr. Carretta is someone who is coming on the scene after the fact and interpreting the contract.

And, you know, FICO says, Oh, we have to call Mr. Carretta because you, Federal, are accusing us of terminating the contract without basis, and we have to call Mr. Carretta so he can explain our basis. But whether the contract was terminated without basis depends again on the jury's evaluation of the extrinsic evidence at the time that the deal was negotiated and the course of dealing that followed, unless they were going to invoke some sort of

advice-of-counsel defense, which is not in play here.

THE COURT: Well, hang on, though. But you've made the allegation that they breached the covenant of good faith and fair dealing, they acted in bad faith. Why isn't reliance on the advice of a lawyer relevant to that?

MS. GODESKY: Well, it could be, Your Honor, and that's the third point.

THE COURT: But that's not what he's doing.

MS. GODESKY: That's not what he's doing.

And there's a major sword/shield problem here, right, because they are selectively waiving privilege, is essentially what they'd be doing, over Mr. Carretta's communications and work product interpreting this contract. They want to call him to the stand and have him say, My interpretation is, no, you know, you needed to get consent. But then at deposition when we said, Okay, so what's your definition and interpretation of the "expanded use" phrase that also appears in this provision you're now interpreting, he was instructed not to answer on privilege grounds.

So if they want to go the advice-of-counsel route and have counsel selectively interpreting in front of the jury what the contract means, we get it all. We get to question Mr. Carretta about his work product. There are over 200 privilege entries for Mr. Carretta, withheld communications in early 2016 after the merger. We should

get to review all of them, because he may like his interpretation and want to share it to the jury of what, you know, the consent provision means, but I'm also interested in knowing how he interpreted and gave advice about "expanded use."

And so, you know, this is a legal opinion. It's irrelevant because it's after the fact. They have not invoked an advice-of-counsel argument. And even if the court were to allow them to do so now, I would say there's a waiver.

THE COURT: Okay. Understood.

Mr. Hinderaker or Ms. Kliebenstein. Ms. Stradley. Hang on one second. Okay?

MS. STRADLEY: Yes.

THE COURT: Okay. Go ahead, Ms. Stradley.

MS. STRADLEY: Thank you.

I would phrase things a little bit differently than how Ms. Godesky phrased it. I would say that Mr. Carretta is testifying about his understanding and his basis for comments that he raised in letters that he sent to and from defendants during the cure negotiation.

So as we've heard throughout this argument on different motions as well, there are lots of letters back and forth during this 2016 time period. Mr. Carretta was involved in those cure negotiations. He's explaining in

those letters the basis for why we think they needed consent and that they've breached the contract by not asking for consent or through this merger. And he should be entitled to explain his understanding for his letter and why he's putting forth these opinions in his letter. I don't think that that's a legal conclusion. It's an understanding as to why he's put forth the basis for these breaches in the letter that are definitely going to be coming into evidence, as we discussed earlier. There's no reason that he shouldn't be able to explain his understanding and rationale for why he was taking certain actions, particularly since they have asserted a breach of good faith and fair dealing claim that says we've asserted this, you know, alleged breaches in bad faith.

THE COURT: Who's putting the letters in? Are you? Are they?

MS. STRADLEY: If you don't mind?

THE COURT: Sure.

MR. HINDERAKER: I know, Your Honor.

The letters will come in through Mr. Carretta. He's the author of the notice of breach letter. He's the author of some letters to his counterpart at Chubb, who is also a lawyer, a Mr. Hopp most often. He will be testifying to the fact of what Mr. Hopp said back to him in terms of the issues that were being discussed.

There will be other -- there will be business people who are involved on some of the -- on the business side of those same negotiations who will be testifying as well, but much of the letter is written by, drafted by Mr. Carretta. He and his counterpart went back and forth with some proposed amendments to the license agreement to resolve the dispute. He'll testify to those. It's not a legal opinion. It's a fact that this proposed settlement agreement had these words in it. And he'll testify to whether it was acceptable or not. As Ms. Stradley said, he's not offering a legal opinion to tell the jury what anything means, but he wants to tell why he did what he did.

THE COURT: Right. I took this position, and here's why I took it.

MR. HINDERAKER: Maybe I was wrong, maybe I was right, but this is what I said and this is why I said it.

THE COURT: Okay. All right.

MS. STRADLEY: Does that answer your question?

THE COURT: It does. No. I -- yeah, it does answer my question.

MS. STRADLEY: Okay. The other point I did want to make is -- I lost my train of thought -- oh, that it also gets to the commercial purpose for some of the -- for some of the provisions. And there I should say Mr. Carretta's understanding of the commercial purpose for the consent

provision that's at issue, which is one of the factors that's considered when you are assessing the breach of good faith and fair dealing. The question is, Were FICO's actions objectively reasonable in light of the commercial purpose of the provision at issue. And so his testimony will speak to that as well and goes directly to defending against the counterclaim that they've asserted.

And, finally, with respect to the sword and the shield argument that Ms. Godesky made, our brief I think does a nice job of going through the exact citations that they put forth in their brief. They only cited to two selective invocations. And we've gone through those in our brief and shown that in fact he did not invoke privilege, he actually answered the questions that were asked, and did not use a sword and a shield for the privilege.

THE COURT: There presumably were other questions about that cure negotiation period, right, and some of them directed to Mr. Carretta, and he answered questions about whatever positions he took during that period and why he took them?

MS. STRADLEY: Well, I think we put forth a nice big chunk in our brief on pages 5, 6 and through 7 in which he discussed the consent provision.

I don't -- because they didn't cite it in their brief, I certainly -- excuse me -- cannot speak to exactly

what she's talking about because we only addressed what was raised, but what they raised is not an example of a selective invocation. He answered the questions, and we've shown that he answered many other questions that we put forth on those three pages and additional examples that we've cited. So I'm not sure -- you know, they didn't cite anything else, but from the examples they gave us are not proof of a sword and a shield use.

THE COURT: Okay. Thank you.

MS. GODESKY: Your Honor, may I respond?

THE COURT: You may.

MS. GODESKY: Thank you.

THE COURT: I'll tell you both right now I'm not going to rule on this one right now. I'm going to take it under further advisement, but go ahead.

MS. GODESKY: And what I wanted to do is direct the court to more material in the record, so hopefully this will be helpful.

So you summarize sort of FICO's pitch for this testimony as Mr. Carretta saying, I took this position and this is why. Mr. Carretta can talk about the letter; he can read it; he can say he sent it. But the minute he starts getting into why, that is work product. And if you look at where we cited in our brief the Carretta deposition at pages 150 and 151, when he started talking about his

interpretation of the consent provision, Ms. Janus asked him, Okay, how do you interpret "expanded use," instructed not to answer at 150 and 151.

And I went painstakingly through FICO's brief that was just referenced by counsel right now, pages 5, 6 and 7, last night. I highlighted every time the term "expanded use" came up. He never once testified about his interpretation of the expanded use clause. They stood on that instruction not to answer.

So we have Mr. Carretta selectively disclosing his work product and advice; and if he gets up there on the stand at trial and does so, we are absolutely entitled to probe broadly his advice about that provision after receiving all of those withheld communications.

THE COURT: So the line you would draw is, I took this position, I'm not recanting it.

MS. GODESKY: We're not calling --

THE COURT: No, I understand.

MS. GODESKY: Yeah.

THE COURT: But to the extent they call him and you want to say, Here's the line and once you cross over it, you've waived, I'm hearing you say that the line is he can say, I wrote this letter, I sent it, I meant it, and I still mean it.

MS. GODESKY: Exactly.

THE COURT: And --

MS. GODESKY: Yeah. Sorry.

THE COURT: But you can't ask him -- well, we won't -- well, he can't say, And here's why.

MS. GODESKY: No, I don't think he can, because, again, they're not defending against this bad faith claim with an advice-of-counsel argument. Right? They're not saying, Oh, this wasn't bad faith, we're relying on advice of counsel. When you have an advice-of-counsel argument, you get all the memos, you get all the communications, you get all the back and forth. They haven't gone there, Your Honor.

And so they have to have -- they can introduce the letter into evidence. He can read it out loud. They can establish in front of the jury so that they don't think anything untoward is happening. You know, you can't talk about more, right, because that would invade the privilege. That's right; I can't talk about it because it's privileged. Right? So that's why he's not saying more.

But if they want to defend the interpretation of -- or if they want to defend the things said in the letter, it goes back to all of the extrinsic evidence that's actually relevant under New York law. Right? What did the people who actually negotiated the contract and drafted it think? What did the business people operating under the

contract for years think? But absent an advice-of-counsel argument, we don't get to put our lawyer up there basically as a mouthpiece for our position in the litigation.

THE COURT: So let's say they hew to the line you are suggesting. I'm assuming I don't hear a question coming from Federal's counsel, Well, why did you say that.

MS. GODESKY: Absolutely not.

THE COURT: Right? Because you're not going to make them invoke the privilege in front of the jury.

MS. GODESKY: Correct.

THE COURT: Okay. Okay.

MS. GODESKY: Thank you.

THE COURT: Thank you.

That one I'll take under advisement. I will make the observation, not that, again, to state the blindingly obvious, it's an area where not only I, but you have to proceed very carefully. Okay? Everyone.

All right. Here's where we are. We are woefully behind time. I'm going to let the court reporter go. I have a number of things to cover. If there's -- if we need to make a record of anything, we'll do it by --

Do we have a recording device up here? We'll figure it out.

Okay. We do -- well, yeah, anyway, I want to let her go, but I have a whole long agenda.

Are people able to stay? Okay.

MS. GODESKY: Yes.

THE COURT: Okay. Let's take a five-minute break.

(Court adjourned at 5:13 p.m., 02-03-2023.)

* * *

I, Renee A. Rogge, certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

Certified by: /s/Renee A. Rogge
Renee A. Rogge, RMR-CRR